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THE SECRETARY OF DEFENSE  
WASHINGTON

JUL 10 1962

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MEMORANDUM FOR THE SECRETARIES OF THE MILITARY DEPARTMENTS  
THE DIRECTOR OF DEFENSE RESEARCH & ENGINEERING  
THE JOINT CHIEFS OF STAFF  
THE ASSISTANT SECRETARIES OF DEFENSE  
THE GENERAL COUNSEL

SUBJECT: Revised Project List - List of Projects and Actions for  
Reducing Defense Expenditures Entering the International  
Balance of Payments

As I stated at the 9 July 1962 staff meeting, our FY 1966  
objective is to reduce the Department of Defense net adverse dollar  
balance entering the U.S. balance of payments to \$1 billion. This  
dollar objective is to be achieved without reducing our military  
power abroad.

Revised Project Eight, distributed at the staff meeting on  
9 July 1962, incorporates and consolidates into a single project  
all previous projects (including those contained in the memorandum  
from my office, dated 26 June 1962) relating to U.S. defense ex-  
penditures and receipts entering the international balance of  
payments. It assigns the office responsible for submission of the  
replies and indicates the tentative due date for submission. If  
the due date cannot be met and a change is desired, please notify  
me.

Prior proposals which have been approved are incorporated as  
a Project Eight Action List. This list was distributed with the  
revised project list. The action list indicates the office assigned  
responsibility for implementation. As additional projects are  
submitted and approved, they will be added to the action list.

The Assistant Secretary of Defense (Comptroller), who has been  
designated to direct and coordinate the program, will issue such  
additional administrative instructions for preparation and submission  
of replies to these projects as may be necessary to supplement those  
issued from this office on 11 June 1962.

Robert S. McNamee

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(12X-82-147)	
By <i>mm</i>	NARS, Date 10/8/82

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REVISED PROJECT EIGHT

<u>Project</u>	<u>Assigned to</u>	<u>Tentative Due Date<sup>a</sup></u>	<u>Classification</u>
1. <u>Expenditures by U.S. military and civilian employees and their dependents.</u>			
a. Translate the Five-Year Force Structure and Financial Program into a Five-Year (FY 1963-1967) Deployment Plan for U.S. forces in foreign countries with a view to eliminating all non-essential units. This plan should be developed by country, by service, by unit, and fiscal year.	JCS	1 Oct 62	(S)
b. Through a series of steps, reduce USAFEUR strength in Europe, now approximately 273,000, by a total of 44,000	Sec Army	Next step recommendation due 1 Sep 62	(S)
c. Develop plan for accelerating withdrawal of B-47 units from overseas bases.	Sec Air Force	15 Aug 62	(S)
d. Develop plan to reduce other USAF strength in foreign countries.	Sec Air Force	1 Sep 62	(S)
e. Reduce dependents overseas by reviewing Air Force proposal to shorten unaccompanied tours to 15 months and increase accompanied tours from 3 to 4 years. (Include recommendations as to any modification to current policy re overseas tours.)	ASD (M)	15 Aug 62	(U)
f. Recommendation on Air Force proposal to return 366 Tactical Fighter Wing to the U.S. currently programmed to be returned in FY 1964.	JCS	1 Aug 62	(S)
g. Recommendation on Air Force proposal to retain 2 F-105B squadrons in CONUS (scheduled for deployment to USAFE in August 1962).	JCS	23 Jul 62	(S)
a/ If the responsible organization wishes a change in the due date, please notify me.			

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By <i>MSH</i> (NIX-82-147)
NARS, Date 10/8/82

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<u>Project</u>	<u>Assigned to</u>	<u>Tentative Due Date</u>	<u>Classification</u>
h. Recommendation on Air Force proposal to inactivate Fighter Interceptor Squadron at Keflavik.	JCS	1 Aug 62	(S)
i. Recommendation on Air Force suggestion to reduce 5 expanded dispersed operating bases.	JCS	15 Aug 62	(S)
j. Recommendation on Air Force proposal to transfer MACE squadron and Sembach air base to Germany.	JCS & ASD (ISA)	1 Aug 62	(C)
k. Recommendation on Air Force proposal to cancel deployment of the 12th and 15th Tactical Fighter Squadrons to the Pacific (one currently scheduled for deployment for the 4th quarter of FY 1963 and the other FY 1965).	JCS	1 Aug 62	(S)
1. Investigate modification in overseas exchange systems to encourage purchase of U.S. goods.	AED (M) (Assisted by Service Secretaries)		(U)
(1) Establish U.S. brokerage service concessions at selected military installations to promote savings and investments.	Sec Army	15 Sep 62	(C)
(2) Attempt to secure agreement of additional U.S. automobile manufacturers to the sale of their autos through overseas exchange.	Sec Army	15 Sep 62	(U)
(3) Consider establishment of charge and time payment sales in European Exchange System to improve competition with local merchants.	Sec Army	15 Aug 62	(FOUO)
(4) Consider establishment of insurance concessionaires to sell insurance, other than life insurance, through the European Exchange System.	Sec Army	15 Sep 62	(FOUO)
(5) Consider improvement of merchandising by nonappropriated fund activities and facilities including quality of products sold to encourage patronage and divert personnel from local economy establishment.	Sec Army	15 Oct 62	(FOUO)

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<u>Project</u>	<u>Assigned to</u>	<u>Tentative Due Date</u>	<u>Classification</u>
(6) Consider a proposal that U.S. made autos to be sold through the Overseas Exchange Service to Defense personnel be transported overseas by Military Sea Transportation Service at Government expense.	Sec Army	1 Sep 62	(C)
(7) Investigate the adequacy of maintenance facilities available for servicing U.S. manufactured autos, availability of spare parts, and make recommendations for required corrective action.	Sec Army	15 Sep 62	(C)
(8) Review policy requiring nonappropriated fund supported billeting facilities to charge rates higher than those required to defray costs to nonappropriated funds.	Sec Army	15 Aug 62	(C)
(9) Review possibility of relief from requirement to sell foreign goods at a price at least as high as it is available in the local market.	ASD (M)	1 Oct 62	(C)
(10) Recommend further study of proposals made by certain foreign manufacturers to make payment for goods produced by those companies and purchased by the European Exchange Service to a blocked account of an associate firm located in the U.S.	Sec Army	15 Aug 62	(C)
2. <u>Review use of foreign nationals (direct and contract hire under military functions appropriations) to determine if requirements can be reduced.</u>	Service Secretaries	1 Sep 62	(C)
3. <u>Procurement of Major Equipment.</u>			
a. Review FY 1963 program for procurement of CARIBOU aircraft (\$30 million) and EMTAC (\$24 million) with a view toward procurement in U.S. or offsetting purchases from U.S. before entering into these procurement contracts.	ASD (IAL)	1 Aug 62	(C)

<u>Project</u>	<u>Assigned to</u>	<u>Tentative Due Date</u>	<u>Classification</u>
b. Review programs for procurement of organization, base maintenance and related equipment in Germany, Japan and U.K. with a view toward returning such procurement to the U.S.	ASD (I&L) (Assisted by Service Secretaries)	1 Aug 62	(C)
c. Review plan of procurement of gas turbine propulsion units in U.K. for Denmark Military Assistance Ship-building Program with a view toward returning such procurement to the U.S.	Sec Navy	22 Jul 62	(C)
<b>4. <u>Construction</u></b>			
a. Develop a program to reduce by 66% the foreign exchange cost of the FY 1963 construction program (including a 66% reduction in the foreign exchange cost of the overseas family housing program).	ASD (I&L) (Assisted by Service Secretaries)	1 Aug 62	(C)
b. Review plans for moving communications, logistical and supply facilities from Seoul to Pohang, Korea.	Sec Army	1 Aug 62	(S)
c. Review plans for construction of ammunition facilities in France.	Sec Army	1 Aug 62	(S)
d. Review the need for \$10.9 million family housing program for Canada and Okinawa in the FY 1963 MCA request.	Sec Navy	22 Jul 62	(U)
e. Review the entire program for constructing in Australia low frequency communications facilities for POLARIS submarines. Must the facility be located in Australia? If this program must be continued in Australia, can more of the dollar expenditures be made in the U.S. than currently planned and can the foreign exchange requirement be offset by equivalent Australian purchase in the U.S.?	Sec Navy	22 Jul 62	(C)
f. Review the entire program for constructing an under water testing station in the Bahamas. Must it be located there? What is possibility of a U.S. location?	Sec Navy	22 Jul 62	(C)

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<u>Project</u>	<u>Assigned to</u>	<u>Tentative Due Date</u>	<u>Classification</u>
g. Review plans for:	Sec Navy	22 Jul 62	(S)
(1) Adding a wing to Naval Hospital at Rota, Spain.			
(2) Building an airplane hangar at Rota, Spain.			
h. Review plans for constructing additional buildings for three Marine camps in Okinawa.	Sec Navy	22 Jul 62	(C)
i. Study question of a POLARIS submarine base in Spain. Is such a base essential?	Sec Navy	22 Jul 62	(S)
5. <u>Overseas Procurement of Materials and Supplies.</u>			
a. Develop a detailed action program to return a major portion (at least 40%) of petroleum procurement to U.S. sources.	ASD (I&L)	25 Jul 62	(C)
b. Develop a program to reduce by 50% subsistence purchases overseas.	ASD (I&L) (Assisted by Service Secretaries)	1 Sep 62	(C)
c. Explore feasibility of transporting milk and dairy products to Europe by Jet cargo or tanker aircraft to reduce expenditures on the local economy.	Sec Army	1 Aug 62	(FOUO)
d. Reduce by 50% the \$240 million estimated expenditures for miscellaneous materials and supplies procured overseas.	ASD (I&L) (Assisted by Service Secretaries)	1 Aug 62	(C)
6. <u>Contractual Services</u>			
a. Develop program to reduce the estimated \$270 million annual outlays for repairs, alterations, maintenance, etc., by 25%.	ASD (I&L) (Assisted by Service Secretaries)	1 Sep 62 (Report submitted on repairs & alterations)	(C)
b. Review desirability of transferring depot maintenance to Spain	Sec Army	1 Sep 62	(C)
c. Develop a program for modification in military postal operations to reduce dollar expenditures overseas.	Sec Army	15 Sep 62	(C)

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<u>Project</u>	<u>Assigned to</u>	<u>Tentative Due Date</u>	<u>Classification</u>
d. Present plan for lengthening interior painting cycle in overseas facilities.	Sec Army	1 Aug 62	(U)
e. Develop a procedure for reimbursement to U.S. for training support provided to NATO countries	Sec Army	1 Aug 62	(C)
f. Develop a procedure for reimbursement to the U.S. for custodial services provided for storage of special ammunition.	Sec Army	15 Aug 62	(S)
g. Consider the possibility of purchasing from other NATO nations support for U.S. combat troops in Europe in place of retaining U.S. support troops in Europe for that purpose.	ASD (ISA)	1 Sep 62	(C)

7. Military Assistance

a. Review FY 1963 Military Assistance Program with a view to reducing overseas procurement of equipment, supplies and services, including construction, by at least 50%.	ASD (ISA)	15 Aug 62	(S)
b. Review operation of MAP supply depot in Japan with a view towards Japan assuming responsibility for operation in exchange for certain logistical support from U.S. Army.	ASD (ISA) (Assisted by Sec Army)	1 Sep 62	(S)
c. Develop plan either to eliminate vehicle procurement program in Japan or offset overseas dollar expenditures abroad by increasing Japanese military procurement in U.S.	ASD (ISA)	1 Sep 62	(C)
d. Develop plans leading toward a reduction in:	ASD (ISA)	1 Aug 62	(C)
(1) U.S. share of NATO infrastructure payments.			
(2) Contributions to NATO International Headquarters.			
(3) Other cost sharing arrangements, e.g., NATO Pipeline System.			
e. Review urgently the proposed ACE ground environment plan, to be financed by NATO infrastructure, as to:	ASD (ISA) (Assisted by DDR&E)	15 Aug 62	(S)

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<u>Project</u>	<u>Assigned to</u>	<u>Tentative Due Date</u>	<u>Classification</u>
(1) Basic cost and effectiveness, and (2) assuming the project should be undertaken, maximizing the U.S. procurement so that it at least offsets the U.S. participation share.			
f. Develop a plan with a view to having host countries assume greater share of administrative and support cost of MAAG's.	ASD (ISA)	1 Aug 62	(c)
g. Review participation in the Mutual Weapons Development Program and the Weapons Production Program with a view to reducing foreign exchange cost beyond present firm commitments.	ASD (ISA)	1 Aug 62	(c)
f. Investigate cost of cancelling G-91 aircraft commitment.	ASD (ISA)	1 Aug 62	(c)
8. <u>Receipts</u>			
a. Develop individual programs for negotiating offset arrangements with countries other than France, Germany, Italy and Japan in which the U.S. has a substantial adverse foreign exchange balance.	ASD (ISA)	1 Nov 62	(c)
b. Develop and formalize a credit sales program as a goal and procedural base for use in Government sales promotion of military equipment and services for use in negotiations.	ASD (ISA)	1 Sep 62	(c)
c. Initiate Government/industrial sales promotion and negotiation action which, with sales resulting from offset arrangements would bring total receipts to \$1 billion annually in FY 1964, 1965 and 1966.	ASD (ISA)	1 Jan 63	(c)
9. <u>General</u>			
a. Develop and present in the form of a standardized quarterly financial report a Five-Year Program for U.S. defense expenditures and receipts entering the international balance of payments - FY 1961-1968.	ASD (c)	15 Sep 62	(c)

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<u>Project</u>	<u>Assigned to</u>	<u>Tentative Due Date</u>	<u>Classification</u>
b. Review requirements for headquarters organizations overseas with a view towards reduction of the number (including elimination of any overlapping) and personnel assigned.	Office of Organization & Planning	OCT 1 1962	(C)
c. Develop techniques and procedures for a gold budget.	ASD (C)	1 Aug 62	(U)

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PROJECT EIGHT ACTION LIST

<u>Project</u>	<u>Assigned to</u>	<u>Classification</u>
1. <u>Expenditures by U.S. military and civilian employees and their dependents.</u>		
a. Rotate selected Army units without dependents - beginning with 3 Battle Groups by approximately 1 October.	Sec Army	(C)
b. Reduce Air Force dependents in Europe by placing 5,000 support personnel on TDY in lieu of PCS in FY 1963.	Sec Air Force	(C)
c. Implement and maintain surveillance over increase of voluntary savings program from \$50 per person per year to a \$100 per person per year in FY 1963.	ASD (M) (Assisted by Service Secretaries)	(U)
2. <u>Receipts</u>		
a. Negotiate extension of U.S.-FRG offset agreement of 24 October 1961 with a view of obtaining a \$600 million annual level of procurement of goods and services from the U.S. by Germany in CY 1963 and 1964.	ASD (ISA)	(C)
b. Start negotiations in Fall 1962 with Italy to raise annual purchases to approximately \$100 million, thereby offsetting U.S. foreign exchange costs.	ASD (ISA)	(C)
c. Continue efforts to negotiate an increase in French purchases to more nearly offset U.S. foreign exchange costs in France - (approximately \$260 million in FY 1963).	ASD (ISA)	(C)
d. Formulate a proposal to Japan to increase purchases from U.S. to more nearly offset U. S. foreign exchange costs in Japan (approximately \$365 million in FY 1963).	ASD (ISA)	(C)
3. <u>General</u>		
a. Revise reporting procedures, as appropriate, to improve data reported on U.S. defense expenditures overseas.	ASD (C)	(U)

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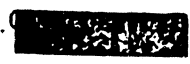
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McGB

18 July 1962

This is the Defense message on the balance  
of payments which I mentioned to you. Paragraph 2  
is particularly interesting.

DKlein  
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